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16 February 1979

MEMORANDUM

SUBJECT: Implications of Iran for Middle East Peace  
Negotiations [REDACTED]

The collapse of the Shah's regime and the current uncertain situation in Iran have, along with a host of other factors, caused Israel and Egypt to strike more rigid positions on key unresolved issues in peace negotiations. Although the upheaval in Iran has directly affected only one issue--Israel's desire to secure oil supplies from Egyptian fields in the Sinai--it has caused both sides to reconsider their approaches to negotiations in light of broader concerns, which include:

- The diminution of US influence in the region;
- The inspiration that religious revolutionaries in Iran have given right and left-wing extremists elsewhere; and
- The consequent potential for a wider spread of instability in the area. [REDACTED]

We do not believe these concerns have eroded either side's fundamental commitment to continuing the peace effort. Nevertheless, both countries have been shaken by the fall of the Shah, and seem more determined than ever to protect their own equities and less inclined toward the kind of flexibility necessary to hasten the conclusion of a treaty. [REDACTED]

Concern over US losses in Iran and the perception that Washington was either unable or unwilling to act in ways to protect its interests there seems to be at the heart of Egypt's greater caution and to have reinforced longstanding Israeli suspicions about the value of great power security commitments. President Sadat's decision to embark on a high-risk pursuit of a peace settlement was based on a calculation of US power in the region and a belief that the US would be able and willing to use those strengths to engineer a comprehensive settlement and stand as its guarantor. Israel, although much less inclined

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to depend on the benefits of superpower guarantees, nevertheless has integrated its special relationship with the US into the basic assumptions underlying its peace moves. Although both sides have expressed some appreciation of our difficulties in dealing with rapidly unfolding events in Iran, confidence in US power and reliability has clearly been shaken. [REDACTED]

We have detected an attitude emerging in Israel and Egypt of stricter self-reliance which contains the seeds of an uncertainty as to whether a treaty can be concluded which could withstand new shifts in the power balance and political currents in the region. [REDACTED]

The tide of Islamic fervor in Iran, the Ayatollah Khomeini's explicit endorsement of the Palestinians, and the collapse of the de facto security system in the Persian Gulf region have added significant pressure on President Sadat to demand from Israel a more explicit commitment to a comprehensive settlement and respect for Egypt's sovereignty and pan-Arab obligations. Even before the crisis in Iran, the Egyptians were deeply disturbed by the force of Arab rejection of their independent dealings with Israel and particularly by Saudi Arabia's endorsement of the anti-Egyptian resolutions of the Baghdad summit. Now the Egyptians face:

--A coalition of Arabs spearheaded by Syria and Iraq, which has added reason in the wake of events in Iran to maintain an alliance.

--A Saudi leadership [REDACTED] seemingly less willing to risk taking positions unacceptable to the Palestinians and other Arabs.

--An emboldened Palestinian movement which is exploiting its relationship with Iranian revolutionaries in order to enhance its image as a force to be reckoned with.

--Early signs of greater assertiveness among Egypt's own Muslim conservatives on such sensitive issues as Egypt's relations with the US, Israel's designs on Arab territory, and inequities and decadence in Egypt's political and social system. [REDACTED]

Sadat has countered these pressures with the argument that regional stability depends now more than ever on a just Middle East peace settlement. Implicit in this argument, however, is

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a notice to the US and Israel that a stable peace must include greater satisfaction of Arab demands and greater assistance to Egypt and other moderate Arab governments. [redacted]

Israeli perceptions of the Iranian crisis seem to have reinforced their determination to nail down specific language and commitments ensuring that a peace treaty with Egypt outlives President Sadat and minimizes as much as possible the need for US security guarantees. The Israelis have not substantively changed their negotiating positions, but they have in recent months dug in their heels further over a number of issues they consider vital, including:

- Guaranteed access to quantities of Egyptian oil equal to those Israel currently obtains from its operations in the Gulf of Suez;
- US commitments to provide generous financial assistance and advisory support to facilitate Israeli military relocation from the Sinai to the Negev;
- Ironclad language in the treaty minimizing if not neutralizing Egypt's options to intervene on the Arab side in future Arab-Israeli conflicts. [redacted]

The Israeli leadership believes that one effect of the Iranian crisis has been to deepen Egypt's reluctance to depart from Arab consensus attitudes. Foreign Minister Dayan and others in the leadership anticipate that Sadat, in an effort to reaffirm his solidarity with Arab interests, have taken a tougher position on major negotiation issues still at impasse. This assessment has probably contributed to the stiffening of Israel's own negotiating posture [redacted]

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